

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

\_\_\_\_\_  
In the Matter of )  
)  
)

DAVID ALAN HERZOG )  
Former Managing Officer of )  
)

Elk County Savings & Loan Association )  
Ridgway, Pennsylvania )  
\_\_\_\_\_)

Re Order No. NE99-03

Date: April 26, 1999

STIPULATION AND CONSENT TO ISSUANCE OF  
ORDER OF PROHIBITION

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed DAVID ALAN HERZOG ("HERZOG"), former Managing Officer of Elk County Savings & Loan Association ("Elk County") that the OTS is of the opinion that grounds exist to initiate administrative enforcement proceedings against him pursuant to 12 U.S.C. § 1818(e)<sup>1</sup>; and

WHEREAS, HERZOG, after due consideration, desires to cooperate with the OTS and to avoid the time and expense of such administrative proceedings, and without admitting or denying that such grounds exist, or the Findings of Fact or opinions and conclusions of the OTS, except as to Jurisdiction, Paragraph I, below, which is admitted, hereby voluntarily stipulates and agrees to the following:

<sup>1</sup> All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

Robert R. HERZOG  
Stipulation and Consent

**I. Jurisdiction.**

A. At all pertinent times, Elk County was a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, Elk County is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c);

B. As an officer of Elk County, HERZOG was an "institution-affiliated party" as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six years of the date hereof (*see* 12 U.S.C. § 1818(i)(3)); and

C. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking Agency" to maintain administrative enforcement proceedings against such a savings association or its institution-affiliated parties. Therefore, HERZOG is subject to the jurisdiction of the OTS to initiate and maintain a prohibition proceeding against him pursuant to 12 U.S.C. § 1818(e). The Director of the OTS has delegated to the Regional Director of the Northeast Region of the OTS or his designee ("Regional Director") the authority to issue orders of prohibition where that individual has consented to the issuance of the order.

**II. OTS Findings of Fact.**

A. The OTS finds that HERZOG violated laws, rules, and regulations, breached his fiduciary duties, and engaged in unsafe and unsound practices by falsifying bank records and extending certain credits to conceal loan delinquencies for certain loans and other extensions of credit that he originated at Elk County. In addition, HERZOG arranged for the extension of credit to a borrower with whom he had a personal and business relationship, and secured by a property in

which he personally owned an interest, without disclosing those facts to the Board of Directors or recusing himself from handling that credit:

B. HERZOG's conduct, directly and indirectly, caused substantial financial loss and damage to Elk County and prejudiced the interests of Elk County's depositors.

C. HERZOG's conduct evidences willful and continuing disregard for the safety and soundness of Elk County.

III. Consent. HERZOG consents to the issuance by the OTS of the accompanying Order of Prohibition ("Order"). He further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

IV. Finality. The Order is issued under 12 U.S.C. §§ 1818(e). Upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS under 12 U.S.C. § 1818(i).

V. Waivers. HERZOG waives the following:

A. the right to be formally served with a notice of the OTS's charges against him, as provided by 12 U.S.C. § 1818(e);

B. the right to an administrative hearing of the OTS's charges against him as provided by 12 U.S.C. §§ 1818(e);

C. the right to seek judicial review of the Order, including without limitation any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;

D. any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS

enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

E. the right to assert this proceeding, his consent to the entry of the Order, the issuance of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

VI. Other Governmental Actions Not Affected. HERZOG acknowledges and agrees that the consent to entry of the Order is for the purpose of resolving this OTS enforcement matter (as set forth in Section II, herein) only, and does not release, discharge, compromise, settle, dismiss, resolve, preclude, or in any way affect any civil actions, charges against, or liability of HERZOG that arise pursuant to this action or otherwise and that may be or have been brought by the OTS or another governmental entity.

VII. Acknowledgment of Criminal Sanctions. HERZOG acknowledges that the Stipulation and Order are subject to the provisions of 12 U.S.C. § 1818(j).

VIII. Miscellaneous.

A. The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America.

B. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors and assigns.

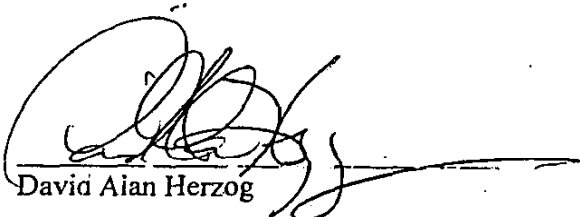
C. The section and paragraph headings in this Stipulation and in the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order.

D. This Stipulation and the Order represent the final written agreement of the parties with respect to the subject matter hereof, and constitute the sole agreement of the parties with respect to such subject matters.

E. This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.


WHEREFORE, DAVID ALAN HERZOG executes this Stipulation and Consent to the Issuance of an Order of Prohibition, intending to be legally bound thereby.

By:

  
David Alan Herzog

3/31/99  
Date

Accepted by:

  
Robert C. Albanese  
Regional Director  
Northeast Region  
Office of Thrift Supervision

4/26/99  
Date

HERZOG R&P.Stp

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

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In the Matter of )  
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DAVID ALAN HERZOG )  
Former Managing Officer of )

Elk County Savings & Loan Association )  
Ridgway, Pennsylvania )  
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Order No. NE99-03

Dated: April 26, 1999

CONSENT ORDER OF PROHIBITION

WHEREAS, DAVID ALAN HERZOG ("HERZOG"), an Institution-Affiliated Party of Elk County Savings & Loan Association ("Elk County"), has executed a Stipulation and Consent to the Issuance of Prohibition ("Stipulation"); and

WHEREAS, HERZOG, by his execution of the accompanying Stipulation, has consented and agreed to the issuance of this Consent Order of Prohibition ("Order"), pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. §§ 1818(e); and

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue Orders of Prohibition on behalf of the OTS where respondents have consented to the issuance of the Orders;

NOW, THEREFORE, IT IS ORDERED that:

1. HERZOG is and shall be subject to the statutory prohibitions provided by 12 U.S.C. § 1818(e) and, except upon the prior written consent of the OTS (acting through its

Robert R. HERZOG  
Order of Prohibition

Director or an authorized representative thereof) and any other "appropriate Federal financial institutions regulatory agency," for purposes of 12 U.S.C. § 1818(e)(7)(B)(ii), shall not:

(a) hold any office in, or participate in any manner in the conduct of the affairs of, any institution or agency specified in 12 U.S.C. § 1818(e)(7)(A), including, but not limited to:

- (i) any insured depository institution, *e.g.*, savings and loan associations, savings banks, national banks, trust companies, and other banking institutions;
- (ii) any institution treated as an insured bank under 12 U.S.C. §§ 1818(b)(3) and 1818(b)(4), or as a savings association under 12 U.S.C. § 1818(b)(9), *e.g.*, subsidiaries and holding companies of banks or savings associations;
- (iii) any insured credit union under the Federal Credit Union Act [12 U.S.C. § 1781 *et seq.*];
- (iv) any institution chartered under the Farm Credit Act of 1971 [12 U.S.C. § 2001 *et seq.*];
- (v) any appropriate Federal depository institution regulatory agency, within the meaning of 12 U.S.C. § 1818(e)(7)(A)(v); and
- (vi) the Federal Housing Finance Board and any Federal Home Loan Bank.

(b) solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in 12 U.S.C. § 1818(e)(7)(A);

(c) violate any voting agreement previously approved by the "appropriate Federal banking agency" within the meaning of 12 U.S.C. § 1813(q); or

(d) vote for a director, or serve or act as an "institution-affiliated party," as that term is defined at 12 U.S.C. § 1813(u), e.g., a director, officer, employee, controlling stockholder of, or agent for, an insured depository institution.

2. The Stipulation is made a part hereof and is incorporated herein by this reference.

3. This Order is subject to the provisions of 12 U.S.C. § 1818(j).

4. HERZOG shall promptly respond to any request from the OTS for documents or information that the OTS reasonably requests to demonstrate compliance with this Order.

5. This Order is and shall become effective on the date it is issued, as shown in the caption hereof. The Stipulation and the Order shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

6. Any notice to the OTS required under this Order shall be provided to the following address:

Regional Director, Northeast Region


Office of Thrift Supervision

10 Exchange Place, 18<sup>th</sup> Floor  
Jersey City, New Jersey 07302  
Facsimile No.: (201) 413-7543



7. The Stipulation is made a part hereof and is incorporated herein by this reference.

OFFICE OF THRIFT SUPERVISION

By:   
Robert C. Albanese  
Regional Director  
Northeast Region

HERZOG R&P.Ord